

EXHIBIT 1

INTRODUCTION

This case arose from a Franchise Tax Board audit of United Association Political Action Fund, for the reporting period from January 1, 1997 through December 31, 1998. Respondent United Association Political Action Fund is a general purpose committee sponsored by the United Association of Journeymen & Apprentices of the Plumbing & Pipe Fitting Industry of the United States and Canada. The treasurer of the committee from January 23, 1997 until January 3, 1999, was Martin J. Maddaloni. The current treasurer is Thomas H. Patchell.

For the purposes of this Stipulation, Respondents' violations of the Political Reform Act (the "Act")¹ are stated as follows:

COUNT 1: Respondents failed to file a late contribution report disclosing making a contribution of \$50,000 on May 21, 1998, due by May 22, 1998, in violation of section 84203 of the Government Code.

COUNT 2: Respondents failed to timely file a late contribution report disclosing making a contribution of \$50,000 on October 19, 1998 due by October 20, 1998, in violation of section 84203 of the Government Code.

RESPONDENTS: United Association Political Action Fund and Martin J. Maddaloni, treasurer

SUMMARY OF THE LAW

An express purpose of the Act, as set forth in Section 81002, subdivision (a), is to assure that the contributions and expenditures affecting election campaigns are fully and truthfully disclosed to the public, so that voters will be better informed, and so that improper practices will be inhibited. The Act therefore establishes a campaign reporting system designed to accomplish this purpose of disclosure.

In furtherance of this purpose, Section 84203 requires every committee that makes a late contribution, as defined in Section 82036, to file a late contribution report within twenty-four hours after making the contribution. Section 82036 defines a "late contribution" as any contribution that totals one thousand dollars or more, and is made to a candidate, a controlled committee, or a primarily formed committee, during the period before an election, but after the

¹ The Political Reform Act is contained in sections 81000 through 91014 of the Government Code. All statutory references are to the Government Code unless otherwise indicated. The regulations of the Fair Political Practices Commission, enacted pursuant to the provisions of the Act, are contained in sections 18000, *et seq.*, of Title 2 of the California Code of Regulations. All regulatory references are to Title 2, Division 6 of the California Code of Regulations, unless otherwise indicated.

closing date of the last campaign statement required to be filed before the election. Under Section 84200.7, subdivision (a)(2), the late contribution period for an election held in June or November of an even-numbered year, is the last 16 days before the election.

Section 81004, subdivision (b), Section 84100, and Regulation 18427, subdivision (c), require a committee's treasurer to ensure that the committee complies with the requirements of the Act concerning the receipt and expenditure of funds, and the reporting of such funds. A committee's treasurer may be held jointly and severally liable, along with the committee, for any reporting violations committed by the committee. (Sections 83116.5, 91006.)

SUMMARY OF THE FACTS

Failure to file or timely file two late contribution reports, in violation of Section 84203

The late reporting period for the June 2, 1998 Primary Election was May 17, 1998 through June 1, 1998. For every contribution of \$1,000 or more, made by Respondents during this late reporting period, Respondents should have filed a late contribution report within 24 hours of the time the contribution was made.

On May 21, 1998, Respondents made a \$50,000 contribution to Californians for Gray Davis. Therefore, Respondents were required to file a late contribution report no later than May 22, 1998, disclosing the \$50,000 contribution to Californians for Gray Davis. Respondents did not do so.

The late reporting period for the November 3, 1998 General Election was October 18, 1998 through November 2, 1998. For every contribution of \$1,000 or more, made by Respondents during this late reporting period, Respondents should have filed a late contribution report within 24 hours of the time the contribution was made.

On October 19, 1998, Respondents made a \$50,000 contribution to Californians for Gray Davis. Therefore, Respondents were required to file a late contribution report no later than October 20, 1998, disclosing the \$50,000 contribution to Californians for Gray Davis. Respondents filed the report disclosing the October 19, 1998 contribution on February 3, 1999, three months after the election.

Respondents' failure to file or to timely file two late contribution reports constitutes two violations of Section 84203.

CONCLUSION

This matter consists of two counts of violating Section 84203 of the Act, which carries a maximum administrative penalty of four thousand dollars (\$4,000). When Respondents' violations were brought to their attention, Respondents immediately accepted responsibility and explained that they were unaware of the filing requirements. Further, Respondents stated they "are now aware of the filing requirement, and will strive to comply with all reporting requirements in the future."

Although this matter arose from an FTB audit, and not the expedited Late Contribution Reporting Program, that program's penalty schedule is instructive. Pursuant to the expedited Late Contribution Reporting Program, the approved administrative penalty for a committee that does not timely file a late contribution report is fifteen percent of the amount not reported, up to the statutory maximum. Therefore, as fifteen percent of the amount not reported exceeds the statutory maximum, the statutory maximum is applicable. As such, a penalty of \$4,000 is appropriate.